

**MINUTES  
of the  
FIFTH MEETING  
of the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**October 20-21, 2014  
Pan American Center, New Mexico State University  
Las Cruces**

The fifth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Joseph Cervantes, chair, on October 20, 2014 at 9:05 a.m. in the Pan American Center at New Mexico State University (NMSU) in Las Cruces.

**Present**

Sen. Joseph Cervantes, Chair  
Rep. Alonzo Baldonado (10/20)  
Rep. Ernest H. Chavez  
Sen. Lee S. Cotter  
Rep. Candy Spence Ezzell  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Ron Griggs  
Rep. Jimmie C. Hall  
Rep. Yvette Herrell  
Rep. Dona G. Irwin  
Sen. Michael Padilla (10/20)  
Rep. Jane E. Powdrell-Culbert  
Sen. John C. Ryan  
Rep. James P. White

**Advisory Members**

Rep. Sharon Clahchischilliaage  
Rep. Anna M. Crook  
Rep. Kelly K. Fajardo (10/20)  
Rep. Mary Helen Garcia  
Sen. Mary Kay Papen (10/20)  
Sen. John Pinto  
Rep. Sheryl Williams Stapleton

**Absent**

Rep. Patricia A. Lundstrom, Vice Chair  
Sen. Phil A. Griego  
Rep. Debbie A. Rodella  
Sen. Nancy Rodriguez  
Rep. Henry Kiki Saavedra

Sen. Sue Wilson Beffort  
Sen. Jacob R. Candelaria  
Rep. Brian F. Egolf, Jr.  
Sen. Stuart Ingle  
Rep. Emily Kane  
Sen. Timothy M. Keller  
Rep. W. Ken Martinez  
Sen. George K. Munoz  
Sen. Bill B. O'Neill  
Sen. William H. Payne  
Sen. Clemente Sanchez  
Rep. Edward C. Sandoval  
Rep. James R.J. Strickler  
Rep. Thomas C. Taylor  
Rep. Monica Youngblood

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Lisa Sullivan, Legislative Council Service (LCS)  
Michelle Jaschke, LCS  
Tessa Ryan, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts are in the meeting file.

**Monday, October 20****Welcome and Introductions**

The chair welcomed members and guests and introduced Dan Howard, Ph.D., executive vice president and provost, NMSU, and Billy G. Garrett, chair, Dona Ana County Commission, who welcomed the committee to NMSU and Dona Ana County.

**Spaceport Authority (SA) — Past, Present and Future Costs**

Christine Anderson, executive director, SA, provided an overview of the vision and mission of the SA and Spaceport America's importance to New Mexico in creating jobs, expanding tourism and serving the needs of the commercial space industry. Spaceport America is the world's first purpose-built commercial spaceport licensed by the Federal Aviation Administration and is owned and operated by the SA. New Mexico has invested over \$200 million to develop the spaceport, which currently has two launch tenants, Virgin Galactic and SpaceX. Twenty vertical launches have taken place to date from Spaceport America.

Ms. Anderson compared the commercial space industry's level of maturity to that of the commercial aviation industry in the 1950s. She noted that there are eight other commercial spaceports in operation in the United States serving a market for commercial human and space cargo transportation, communications and remote sensing and imaging. In addition, the industry anticipates future markets for exo-planetary resource mining and space colonization. There are proposals for more spaceports across the nation, and it is predicted that spaceports will one day be as common as airports.

Ms. Anderson gave a history of state funding for the SA and reviewed the SA's current and proposed capital and operating budgets. According to Ms. Anderson, fiscal year (FY) 2015 and FY 2016 will be critical transition years for the SA, while Spaceport America moves from preoperations to operations and to an increased reliance on revenues generated by the spaceport to support operational expenses. The SA has so far depended in part on gross receipts tax (GRT)

bond proceeds generated in Dona Ana and Sierra counties, excess pledged revenue from the bond proceeds and direct appropriations from the state legislature.

Committee members expressed concern that there is no sunset provision for the GRT imposed on residents of Sierra and Dona Ana counties to support Spaceport America, and residents of those counties are shouldering a cost that more appropriately belongs to the state. Several members questioned the process by which excess pledged revenues from the GRT bond proceeds were directed to the SA, noting that there should have been some consultation with the NMFA Oversight Committee. One member observed that the SA is not asking for an increase in its FY 2016 budget even though several development needs have been identified, including major road improvements and visitor centers. The member asserted that most state agencies appear to have been directed to maintain a flat budget without regard to agency needs.

### **Capital Projects for Spaceport America: Southern Road**

Robert Armijo, county engineer, Dona Ana County, supplemented the information provided by Ms. Anderson regarding the need for improvements to the southern access road to Spaceport America. In cooperation with the SA and Sierra County, Dona Ana County engineers have provided a range of planning and design services to begin the improvement project. Mr. Armijo reported that short-term solutions are being employed to deal with the road's poor, sometimes impassable, conditions. Commissioner Garrett presented a resolution from the Dona Ana County Commission petitioning the state, without delay, to construct an interchange at Upham Road and Interstate 25 and to adopt the southern road.

Members were divided in their responses to the proposed road improvements. Some members stated that with the considerable investment the state has already made in Spaceport America, it should follow that the state provide reasonable access to the site. Some of these members held the view that to make money with the spaceport, it is necessary to spend money for the access road. Other members held that too many other areas of the state require road improvements that should be prioritized over the southern access road.

Many members expressed support for a plan to extend Rail Runner service to Las Cruces and El Paso and then to the spaceport. Several other ideas for access to the spaceport were also presented. Karen Perez, former county commissioner, Dona Ana County, named the idea of a rail spur that extends from Hatch to the spaceport being used to transport space travelers and tourists on antique trains across the Camino Real to Spaceport America and the idea of providing helicopter service from Las Cruces or Truth or Consequences to Spaceport America.

### **Capital Projects for Spaceport America: Visitor Centers**

Ms. Anderson noted that the vertical and horizontal launch services offered by Spaceport America are supplemented by a developing tourism and marketing business and that both are necessary for the long-term success of the spaceport and its efforts to become self-sustaining. Ms. Anderson reported that roughly \$6.5 million is needed for construction of visitor centers in Truth or Consequences and Hatch to welcome visitors to Spaceport America and provide a

staging area for transportation to the spaceport. Some difficulties have arisen in locating sites for the proposed visitor centers. Questions remain as to whether revenues from spaceport tourism and marketing activities will cover operating expenses for the centers.

#### **SA: Economic Development Plan**

Aaron Prescott, business operations manager, SA, reported on two target areas of the SA's economic development plan: aerospace support services and infrastructure; and tourism and hospitality support services and infrastructure. In the short term, the SA is working with existing contractors and providers to meet customer requirements. Over the long term, Mr. Prescott reported that the SA will be working with educational institutions to develop curricula to fill skill gaps for New Mexico workers.

Mr. Prescott reported that the SA is seeking to promote corporate events and conferences and commercial film, photography and related opportunities to generate income. Members discussed the need to ensure that the many jobs being created to support the spaceport go to New Mexicans. Some members observed that only a fraction of the money and contracts to build the spaceport has gone to New Mexico companies. Ms. Anderson stated that almost all of the construction money and contracts went to New Mexico companies.

Following the above-described discussion about having construction money and contracts benefit New Mexicans, one committee member asserted that the member will propose legislation to strengthen requirements for in-state hiring and contracting preferences.

#### **SA: Terms of Contracts with Virgin Galactic and SpaceX**

Ms. Anderson reported that Virgin Galactic has a 20-year facilities lease with the SA at \$1 million per year for the first five years and approximately \$3 million per year thereafter. SpaceX has a three-year land lease, with two one-year renewal options at approximately \$60,000 per year. Ms. Anderson also reviewed the various user fees that apply to the contracts, performance guarantees and tenant investments in infrastructure.

SpaceX has been testing a means of vertical launch and vertical landing that can be supported by Spaceport America, and Virgin Galactic has already relocated some 15 support staff members and their families to New Mexico in anticipation of the first Virgin Galactic flights from the facility. Around 60 Virgin Galactic personnel will reside in the state when launches begin, according to Mark Butler, senior program manager, Virgin Galactic. Several representatives from Virgin Galactic were in the audience, and Mr. Butler confirmed that Sir Richard Branson, founder of Virgin Galactic, is committed to flying from Spaceport America.

#### **Regional Spaceport Local GRT**

Representatives of Dona Ana and Sierra counties and superintendents of several area school districts discussed the regional spaceport local GRT with members of the committee. Ms. Perez and others reported that the spaceport GRT was supported by area residents because it was promoted as a means to serve local school system needs, particularly with regard to science,

technology, engineering and math (STEM) skills development. The district superintendents reported on several STEM school and after-school programs that the districts are able to offer as a result of the spaceport GRT revenue flow to the districts.

Commissioner Garrett presented an analysis of the spaceport tax, noting that 75 percent of the tax revenue is dedicated to spaceport construction projects and that, by state law, the remainder is for space-related projects. The commissioner noted that in 2008, the county commission decided to use the 25 percent share for educational purposes, but Commissioner Garrett recently asked local officials, business leaders and academic institutions to consider adjusting that use by also spending on business development. He asserted that good financial management requires periodic reassessment of investments based on relevant goals, conditions and trends.

One member objected to local use of the 25 percent share for educational purposes as "disequalizing" with respect to the state equalization guarantee (SEG) for school districts. Stan Rounds, superintendent, Las Cruces Public School District, gave the committee members a copy of a recent legal opinion on the SEG that found that "acceptance of the monies from the Spaceport Tax (excise or sales tax) has **no effect** on the School District's SEG revenues". One member observed that other school districts also have the capacity to issue bonds to generate revenue for schools but have chosen not to do so. The member asserted that the tax is not unequal in that respect because all school districts can exercise that capacity.

### **Increasing Commerce in the Border Area**

Jon Barela, secretary of economic development, reported on New Mexico's trade profile, noting that the state led the nation in export growth percentage in 2012 and that its exports to Mexico have grown by 33 percent (to \$802 million). Secretary Barela noted that the San Jeronimo-Santa Teresa binational community offers a number of competitive advantages over other regions in the context of United States-Mexico trade.

One member suggested more active promotion of U.S. Highway 54, the Southwest Passage Initiative for Regional and Interstate Transportation Corridor for trade purposes. The corridor runs from the border with Mexico at El Paso, Texas, through New Mexico, Texas and Oklahoma to Wichita, Kansas. In response to committee member questions regarding development of a deep water port in the Sea of Cortez, Secretary Barela stated that financing and rights of way are in place now and that planning for such a port is ongoing as a multistate effort. Secretary Barela also reported that the Mexican government has released a request for proposals to start the planning and development process for the port within five years.

Secretary Barela stated that a central region of the North American Free Trade Agreement corridor is located on both sides of the border in the San Jeronimo-Santa Teresa area. He noted that chile and cattle imports and exports are increasing through that area. Secretary Barela also reported that the Mexican constitution was recently amended to allow foreign partnership in oil

and gas exploration, and current gas and oil production in southeastern New Mexico will likely expand to the other side of the border.

Members raised questions regarding development of the Palomas and Antelope Wells border crossings as 24-hour ports of entry and the status of the Mexican Affairs Division (MAD) of the Economic Development Department (EDD). Secretary Barela anticipates continuing growth for Palomas and Antelope Wells and observed that the road to Antelope Wells requires development on the Mexico side of the border. Secretary Barela reported that no funding has been requested to fill three full-time-equivalent (FTE) positions in the MAD. Another member asked if there are problems in finding skilled labor in New Mexico to fill new jobs in the border region. Secretary Barela responded that there are employment and skills gaps in transportation, engineering, health care and other fields, but New Mexico's two- and four-year higher education institutions are responding to those needs.

### **Recess**

The committee recessed at 5:20 p.m.

### **Tuesday, October 21**

#### **Border Authority (BA) Update and Budget**

Erika De La O-Medina, deputy director, BA, reported that the authority works with the local trade community, local government jurisdictions and federal enforcement agencies in the United States and Mexico. The BA serves as the point of contact for the governor and the state's congressional delegation in matters related to the border. Ms. De La O-Medina also stated that the BA leads New Mexico's efforts to expand its border development partnership with the Mexican state of Chihuahua and New Mexico's trade platform with Mexico.

Ms. De La O-Medina reported on the New Mexico-Chihuahua Commission, which was established to stimulate trade efforts with Mexico. The commission focuses on seven areas that address issues of common interest between both states, including border crossings and infrastructure. The pact authorizes duplication of infrastructure improvements on both sides of the border. Ms. De La O-Medina updated the committee on the status of improvements for the ports of entry in Hidalgo, Luna and Dona Ana counties, and she provided an overview of vehicle and pedestrian traffic through those ports. Therese Trujillo, director, Administrative Services Division, EDD, told the committee that the BA budget request from the general fund for FY 2016 will remain unchanged from the current year.

The committee discussed the various methods and procedures used to inspect agricultural products and livestock crossing the border in both directions at the ports of entry. Ms. De La O-Medina reported that more than 400,000 head of cattle have crossed from Mexico to the United States this year. They are inspected in Mexico and then classified by size and gender. The BA was instrumental in persuading the United States Department of Agriculture to have an

entomologist on site at the Columbus port of entry to identify any pests found on chile exports to speed up the export process.

Ms. De La O-Medina reported that there is a need for a dedicated crossing lane to move heavy equipment across the border at the Santa Teresa port of entry. The committee discussed a federal grant made to the BA seven years ago that now constitutes a large part of the authority's budget. The grant has been rebudgeted to conduct a transborder rail line study. The conditions of the grant are now such that the money cannot be used for anything other than conducting the study, according to Ms. De La O-Medina.

Alvin C. Dominguez, former secretary, Department of Transportation, informed the committee that the funding in question originally included \$1.2 million in federal funds and another \$500,000 from a private donor. Mr. Dominguez noted that the planned border rail crossing for which the grant was intended entails a complex binational permitting process that may take years. One member asked the BA to provide a memorandum to the committee describing the original intent of the grant, its history and its current status.

#### **NMFA Board Report**

John E. McDermott, chair, board of directors, NMFA, and Robert P. Coalter, chief executive officer, NMFA, presented information on six NMFA loans that closed during September 2014. One of the loans, to the Espanola Public School District, was for \$1.6 million. Mr. Coalter reported that an internal auditor has been selected, that all prior-year external audits have been completed and that the current external audit is on track to be completed by December 15.

Zach Dillenback, chief lending officer, NMFA, and Mr. Coalter presented information on the SA's GRT bonds and provided a summary of the tens of millions of dollars in debt service left outstanding on those bonds. Mr. Coalter reported that all of the project funds have been drawn from the Series 2009 Spaceport GRT bonds. A debt service reserve fund balance of \$4,380,000 remains, with over \$40 million of debt service left outstanding. A project fund balance of over \$4 million remained unspent in the Series 2010 spaceport GRT bonds issuance in October 2014, as reported by Mr. Coalter, with a debt service reserve fund balance of \$2,056,000 and millions more in outstanding debt service. Mr. Coalter informed the committee that the debt service on the bond issuances cannot be reduced by early repayment before the call date of the bonds.

Mr. McDermott reported that the NMFA hopes to compete for a \$6.9 million loan that the SA is seeking for land and construction for one of the proposed visitor centers. Members expressed concern over loan-forgiveness issues. Mr. Coalter stated that loan-repayment revenue must be viable in order for the NMFA to make a loan. Another member said he believed there could be a conflict for the committee with respect to any SA loans, as the committee is charged with oversight of both the NMFA and the SA. The member observed that the projections for spaceport revenues are only projections and that such a loan might never be repaid.

Mr. McDermott stated that the NMFA board has discussed the issues surrounding the use of excess revenue from the spaceport GRT for SA operational and other expenses. He participated in discussions about the use of excess revenue from the spaceport GRT and the higher taxation burden on Dona Ana County.

### **Proposed Legislation for Committee Endorsement**

On a motion made and seconded, with one member objecting, the committee voted to endorse proposed legislation making an appropriation of \$2 million from the Public Project Revolving Fund (PPRF) to the Local Government Planning Fund for expenditure in FY 2016 and subsequent fiscal years to make grants to eligible entities to evaluate and estimate the costs of implementing the most feasible alternatives for infrastructure, water or wastewater projects and related planning activities.

Marquita Russel, chief of programs, NMFA, presented proposed legislation that would provide a \$1.8 million appropriation from the PPRF to the Drinking Water State Revolving Loan Fund for drinking water system financing. On a motion made and seconded, with one member objecting, the committee voted to endorse the legislation.

Ms. Russel also presented proposed legislation authorizing the NMFA to make loans from the Water Project Fund for water infrastructure projects, and she provided a comprehensive list of applicants and projects applying for assistance from the Water Trust Board (WTB) for the 2015 application cycle. Committee members discussed the prioritization process and the importance of regional planning to that process. Ms. Russel reported that the Water Trust Fund has roughly \$32 million to \$35 million available, that 128 projects are under consideration and that those projects' costs total approximately \$159 million.

One member noted the mismatch between available resources and requests and observed that the current WTB process lends itself to more sophisticated users. The member suggested that the committee review funding priorities, make flood control projects a priority and focus on smaller users. Members debated the value of having more input from the committee in the WTB prioritization process. One member suggested reconsidering the composition of the WTB to ensure that all areas of the state have equal and adequate representation. Members deferred action on the proposed legislation but requested that Ms. Russel provide information to the committee regarding census tract data that are used to inform some of the NMFA's loan decisions.

On a motion made and seconded, the committee voted to endorse proposed legislation to appropriate \$200,000 from the general fund to the Department of Environment for expenditure in FY 2016 for two FTE positions to provide engineering services for the Water Trust Fund program. The motion passed without objection.

Mr. Zavelle presented proposed legislation that would allow public bodies to delegate authority for making certain determinations regarding the sale of public securities. Some



committee members expressed concern about delegating such authority. The committee deferred action on endorsement of the proposed legislation.

### **Colonias Infrastructure Project Fund**

Rick Martinez, director of business development, NMFA, and members of the Colonias Infrastructure Board (CIB) presented the 2014 annual report for the Colonias Infrastructure Project Fund. Mr. Martinez observed that a considerable amount of federal funding is leveraged by money in that fund. Receipt of such funding depends upon state-program conformance with a federally recognized definition of a colonia, including that the community be within 150 miles of the United States-Mexico border. CIB members observed that the program addresses high-priority needs for housing and water and wastewater systems. Board members also described how the program works with communities to help them establish themselves financially.

### **Adjourn**

There being no further business before the committee, the NMFA Oversight Committee adjourned at 12:12 p.m.